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STERLING
THE STERLING TRUSTS CORPORATION
Annual Report
1975



TO OUR SHAREHOLDERS:

I am pleased, on behalf of the Board of Directors and Staff, to present the operational and financial results of your Corporation for the fiscal year ending December 31, 1975.

It is fitting to highlight some figures and developments which are indicative of the past year's operations.

During the past year guaranteed funds on deposit have increased by 30%, while the demand deposit sector has increased at only 23%, despite our efforts to obtain a better balanced deposit mix.

In 1975 we continued our Branch expansion and in addition to opening new branches in Aurora and Orillia Square, have renovated our facilities in downtown Orillia and relocated our Barrie Branch (our third location on Dunlop Street), to splendid new facilities. We also opened a new branch in Midland in the first week of the new year.

The Corporation logo of the Lion's Head has been prominently featured and decor of our branches standardized to give a consistent identity to all our branch facilities.

Our mortgage portfolio increased by 29% and continues to be 95% invested in residential real estate, and 3/4 of this in single family dwellings. It is the Corporation's policy to endeavour to re-invest a branch's deposits in the same community.

Two conditions have mitigated against greater growth in profits; the inflationary spiral resulting in greatly increased costs, and the costs of starting up new branches and expanding facilities of established branches without time for the offsetting increased volume of business from these new facilities to develop.

We anticipate a year of modest expansion in 1976, coupled with detailed forward planning for the next five years. Our objectives will embrace controlled expansion resulting in a satisfactory rate of growth of deposits, profits, and dividend distribution, to ensure that your investment in the shares of this Corporation is merited.

I take this opportunity to, on your and my own behalf, thank the Board of Directors and Staff for their dedicated loyal service, without which the results for the year could not have been achieved.

N.F. Petersen

N.F. PETERSEN, President





**THE STERLING TRUSTS CORPORATION
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF EARNINGS
For the year ended December 31, 1975
with comparative figures for 1974**

	1975	1974
Revenue:		
Income from mortgages and other loans	\$13,012,589	\$9,814,293
Income from securities	829,199	649,851
Fees and commissions	440,861	427,901
Other operating revenue	84,099	84,936
Total revenue	<u>14,366,748</u>	<u>10,976,981</u>
Expenses:		
Interest on guaranteed trust account	10,553,403	8,129,261
Salaries and staff benefits	1,307,538	970,417
Premises, including depreciation \$20,004 (1974—\$12,513)	377,537	253,299
Other operating expenses	789,926	512,162
Total expenses	<u>13,028,404</u>	<u>9,865,139</u>
Operating income before income taxes	<u>1,338,344</u>	<u>1,111,842</u>
Income taxes—current	262,796	(33,100)
—deferred	301,500	512,700
	<u>564,296</u>	<u>479,600</u>
Net operating income	<u>774,048</u>	<u>632,242</u>
Gain on sale of securities less related income taxes \$18,804 (1974—\$7,900)	30,659	40,320
Gain on sale of office premises less related income taxes \$14,600	49,109	—
Net earnings for the year transferred to retained earnings	<u>\$ 853,816</u>	<u>\$ 672,562</u>
Earnings per share (note 1-e):		
Net operating income	\$.94	\$.90
Gain on sale of securities and office premises	.10	.06
Net earnings for year	<u>\$ 1.04</u>	<u>\$.96</u>

See accompanying notes to consolidated financial statements.



**THE STERLING TRUST
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Assets	1975	1974
Cash and bank deposit receipts	\$ 4,725,346	\$ 3,702,068
Income taxes recoverable	63,924	307,940
Securities (note 2):		
Bonds and debentures	9,313,322	7,717,298
Stocks	4,357,256	3,471,383
Total securities	<u>13,670,578</u>	<u>11,188,681</u>
Loans:		
Mortgages	137,816,807	106,738,464
Loans on securities	2,661,454	969,923
Personal loans	53,063	72,826
Advances to estates, trusts and agencies	10,000	1,250
Total loans	<u>140,541,324</u>	<u>107,782,463</u>
Fixed assets, at cost less accumulated depreciation \$181,105 (1974—\$224,845)	<u>386,312</u>	<u>170,756</u>
	<u>\$159,387,484</u>	<u>\$123,151,908</u>

We certify that to the best of our knowledge and belief the foregoing is a true and correct statement of the financial condition of the company at the end of the period covered by this statement and truly and clearly the financial condition of the company.

N.F. PETERSEN, President H.T. BURGESS, Vice President

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies:

(a) Basis of consolidation:

The financial statements include the accounts of a wholly-owned subsidiary company acquired in 1975.

(b) Investments:

Securities issued by the Government and Provinces of Canada are stated at amortized cost. Mortgages and other securities are stated at cost. Gains and losses are recorded upon sale of investments except where there is a decline in value which is other than temporary, at which time a provision is made.

(c) Income taxes:

Income taxes are provided on reported income in accordance with the tax allocation method. Under

this method, timing differences between reported and currently taxable income are provided for in the form of deferred income taxes.

(d) Revenue and expenses:

Investment income and interest expense are recorded on the accrual basis. Fees and commissions are recorded as earned except for certain fees from estates and trusts which are included in income only upon final approval, usually by the courts.

(e) Earnings per share:

Earnings per share have been calculated using the weighted average number of shares outstanding during the year.

2. Securities:

Bonds and stocks are stated at cost. The related market values are as follows:

	1975		1974	
	Cost	Market	Cost	Market
Bonds—Government of Canada	\$ 6,202,150	\$ 5,982,139	\$ 4,109,139	\$ 4,029,107
Provinces of Canada	1,294,109	1,049,488	1,293,962	1,083,668
Municipalities	854,902	760,246	1,079,946	963,894
Other	962,161	808,216	1,234,251	1,036,157
	<u>9,313,322</u>	<u>8,600,089</u>	<u>7,717,298</u>	<u>7,112,826</u>
Stocks	4,357,256	3,681,898	3,471,383	2,810,860
	<u>\$13,670,578</u>	<u>\$12,281,987</u>	<u>\$11,188,681</u>	<u>\$ 9,923,686</u>

**STERLING TRUSTS CORPORATION
AND ITS SUBSIDIARY
CONSOLIDATED BALANCE SHEET
As at December 31, 1975
with comparative figures for 1974**

	1975	1974
Liabilities and Shareholders' Equity		
Guaranteed trust account:		
Savings deposits	\$ 21,526,803	\$ 17,677,795
Guaranteed trust certificates	128,955,702	98,281,527
Total guaranteed trust account	<u>150,482,505</u>	<u>115,959,322</u>
Accounts payable	139,439	90,409
Dividend payable	85,365	73,709
Deferred income taxes	1,484,300	1,168,200
Shareholders' equity:		
Capital stock (note 3):		
Authorized 1,000,000 shares of \$2 each par value. Issued and fully paid 853,657 shares (1974—737,086)	1,707,314	1,474,172
Contributed surplus (note 3)	1,613,739	1,031,284
General reserve	3,400,000	3,000,000
Retained earnings	474,822	354,812
Total shareholders' equity	<u>7,195,875</u>	<u>5,860,268</u>
	<u>\$159,387,484</u>	<u>\$123,151,908</u>

The foregoing consolidated balance sheet is correct and shows the financial condition of the Corporation's affairs.

Vice-President T.G. TAYLOR, Managing Director

3. Capital Stock:

During the year, shares of the Corporation's capital stock were issued as follows:

	Number of Shares	Issue Price	Capital Stock	Contributed Surplus
Private placement for cash	98,000	\$7.00	\$196,000	\$490,000
Exchange for shares of subsidiary	18,571	7.00	37,142	92,858
	<u>116,571</u>		<u>\$233,142</u>	<u>\$582,858</u>

4. Contractual Obligations:

The Corporation has contractual obligations in respect of leases as follows:

within 5 years	\$ 908,000
6 to 8 years	116,000
	<u>\$1,024,000</u>

Rents incurred in 1975 were \$264,362.

5. Directors' and Officers' Remuneration:

The aggregate direct remuneration paid or payable by the corporation to directors and senior officers during the year was \$156,470 (1974—\$146,433).

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Sterling Trusts Corporation and its subsidiary as of December 31, 1975 and the consolidated statements of earnings, contributed surplus, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation and its subsidiary as of December 31, 1975 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants
Toronto, Ontario
January 21, 1976



**THE STERLING TRUSTS CORPORATION
AND ITS SUBSIDIARY
CONSOLIDATED STATEMENT OF CONTRIBUTED SURPLUS,
GENERAL RESERVE & RETAINED EARNINGS
For the year ended December 31, 1975
with comparative figures for 1974**

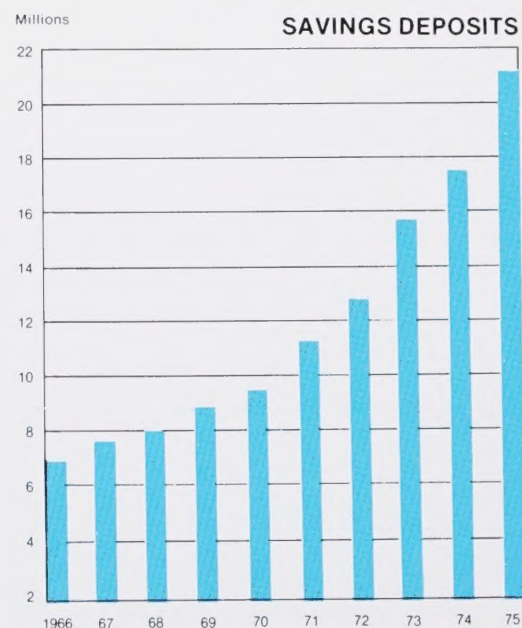
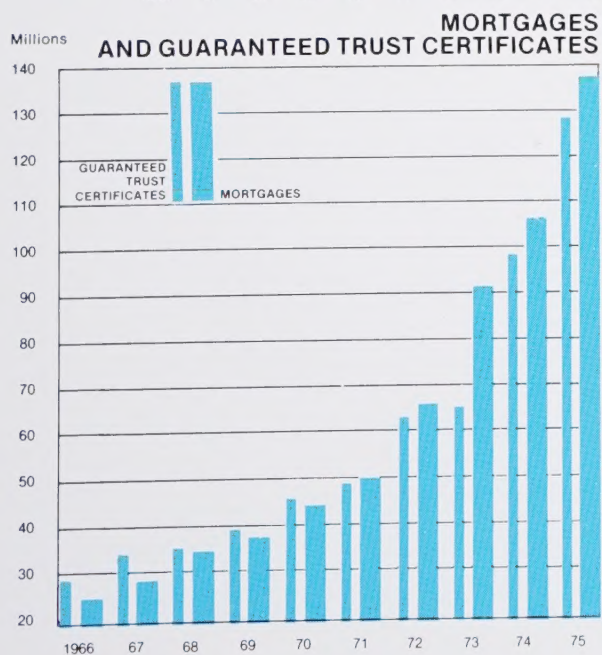
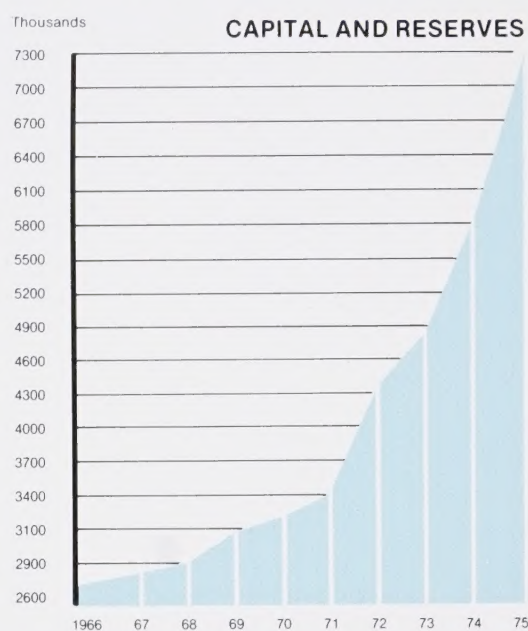
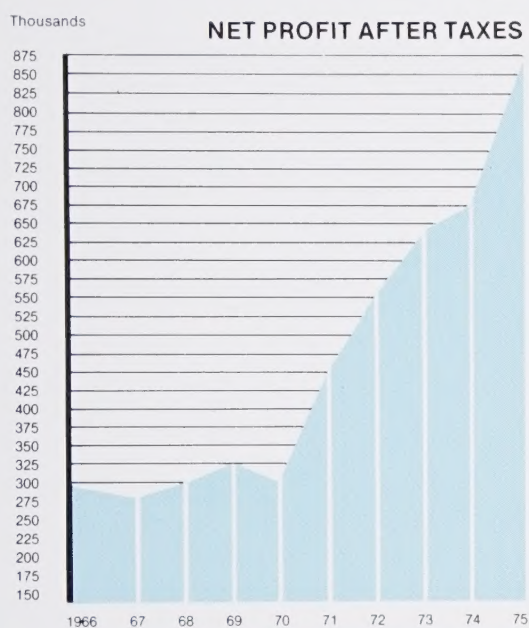
	1975	1974
Contributed Surplus		
Balance at beginning of year	\$1,031,284	\$ 417,337
Proceeds in excess of par value of capital stock issued during year (note 3)	582,858	616,663
Less expenses of issue	(403)	(2,716)
Balance at end of year	<u>\$1,613,739</u>	<u>\$1,031,284</u>
General Reserve		
Balance at beginning of year	\$3,000,000	\$2,700,000
Add transfer from retained earnings	400,000	300,000
Balance at end of year	<u>\$3,400,000</u>	<u>\$3,000,000</u>
Retained Earnings		
Balance at beginning of year	\$ 354,812	\$ 268,452
Add transfer from net earnings for the year	853,816	672,562
	<u>1,208,628</u>	<u>941,014</u>
Deduct:		
Transfer to general reserve	400,000	300,000
Dividends	333,806	286,202
	<u>733,806</u>	<u>586,202</u>
Balance at end of year	<u>\$ 474,822</u>	<u>\$ 354,812</u>

See accompanying notes to consolidated financial statements.





RECORD OF PAST TEN YEARS



WHERE STERLING TRUSTS' REVENUE CAME FROM

84.15% Revenue from Investments Less: Interest on Deposits

11.28% Fees and Commissions

4.57% Other Sources



WHERE STERLING TRUSTS' REVENUE WENT

33.46% Salaries and Staff Benefits

29.87% Operating Expenses

14.44% Income Taxes

8.54% Dividends

13.68% Retained Earnings





STERLING

THE STERLING TRUSTS CORPORATION
Incorporated in Nineteen Hundred and Eleven.
Member of Canada Deposit Insurance Corporation



DIRECTORS

President

*Niels F. Petersen Toronto, Ont.

Vice-Presidents

*Horace T. Burgess Toronto, Ont.

*H. Donald Langdon, Q.C. Toronto, Ont.

*F. Robert Hewett. Toronto, Ont.

*Charles F. Petersen Toronto Ont.

*S. Bruce Adams, F.C.A..... Toronto Ont.

Norman H. Bell Toronto Ont.

Peter O. Crassweller, M.D., F.R.C.S.(C), F.A.C.S.. Toronto, Ont.

*Robert I. Hendy, Q.C..... Toronto, Ont.

Archibald D. Russel Toronto, Ont.

Charles J. Seagram, Q.C. Barrie, Ont.

*T. Gordon Taylor Toronto, Ont.

Arthur W. White..... Toronto, Ont.

J. Alex Wilson, B.A. Sc., P. Eng. Orillia, Ont.

*Members of the Executive Committee

AUDITORS

Peat, Marwick, Mitchell & Co.

OFFICERS

Niels F. Petersen President

Horace T. Burgess Vice-President

F. Robert Hewett. Vice-President

H. Donald Langdon, Q.C. Vice-President

Charles F. Petersen Vice-President

T. Gordon Taylor Managing Director

Dennis W. Jones, F.C.I.S. Assistant General Manager

James A. Shute Assistant General Manager

Fred C. Beveridge Secretary and Transfer Officer

William L. Henderson, F.C.G.A. Treasurer

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L3V 6J3 / 325-2226

Ross A. Furzecott
16 Dunlop St. E., Barrie
L4M 1A3 / 726-6495

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325-2373

B. Del Reed
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Riverside Plaza, Bracebridge
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